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YET WEAKNESS IS SEEN

Technical Position of Market
Is Dangerous for Mar-
gin Traders.

Upward of \$50,000,000 in gold was received in this country from Canada last week, making a total since January 1 of more than \$465,000,000, and more than \$740,000,000 net since the movement began soon after the opening of the European war. Bank reserves throughout the country exhibited substantial expansion, exports of merchandise from New York alone were valued in excess of \$80,000,000 and \$55,000,000 in excess of imports, money rates ruled at abnormally easy levels for this period of the year and new earnings records were made by railroad and industrial corporations. It was no wonder that stocks advanced.

Many new high levels were established in the stock market in the last few days, while the average for the leading railroads and industrials was near the high of the year and showed practically a full recovery from the slump which accompanied the announcement of the German undersea raid in waters adjacent to our coast. It was a consistently strong market throughout the week, with the public a large participant in the dealings.

It was a market that was based upon extraordinary conditions in finance and trade. But it possessed, nevertheless, the earmarks of weakness. This may appear paradoxical. Prices were moved up almost without interruption, yet the market ended the week in a rather weakened position.

Market values were not weak, but technical conditions of speculation were not so strong as they were the week before. Traders who based their operations on basic conditions had the strongest sort of argument in the money and business world, but the expectation of further improvement in securities are but those traders who bought stocks at the top of the week on small margins, and there were many purchases of the sort, unconsciously may have been operating for the decline.

Danger of a Heavy Drive.

The market's technical position of the market, however, does not necessarily mean that the market is to fail immediately from its own weight. But it does mean that speculation has reached the stage which would attract a heavy drive against prices in the event of some adverse development. The mere fact that even the ultra-conservative financial institutions believe that ultimately the general range of quotations will be moved well above the current level does not warrant the idea that sharp declines are not in prospect.

In many quarters of the financial district the belief is growing that overenthusiastic bulls are extending their activities beyond the limit of safety, and that in making up ground the upward movement for weeks to come without decided setbacks they are placing themselves in a most dangerous position. On the advance last week a large proportion of the big operators who bought stocks on the German submarine raid break converted their paper profits into cash with little or no further financial damage, with their place as the chief interests in this speculation. Speculation is becoming somewhat wild and many traders apparently are riding to a fall.

With, however, such an exhibit of improvement in all lines of industry as is currently reported, and with money in such abundance upon the market, it is practically forcing bears upon foreign governments. It is difficult to find any encouragement for pessimism over the future of the securities markets. It is only the position of the market itself that operators for the decline are warning in predicting a period of reaction.

Actual value is growing and in some circles it is thought that the bull market in Wall Street is still in its infancy. And in those circles active efforts are being made to sustain the temporary rebound of market prices, which have fallen to a lower level for the purpose of shallowing out the present weak accounts into the open bags of the big men who have made enormous profits on recent advances and are ready to add to their bank accounts through further market movements.

Situation Is Unprecedented.

It is an unprecedented and most remarkable situation, no matter how it may be viewed. By reason of the great additions to the supply of money in the country power of corporations has increased, especially in steel and copper, in which the cost of production is breaking costs to the consumer, the volume of business for future needs is staggering in its amount.

The margin between the cost of production and the selling price is wide, and the cost of materials, yet their net profits are enormous, contributing considerably to the prosperity which is based upon war buying. It is not a prosperity of our own making.

Prior to the war and in the early part of President Wilson's Administration there was the same grade of economic expansion as now. And if it had not been for the war there would have been idle factories and idle labor, with gold going out instead of coming in, and with railroads and corporations applying to a high money market for funds with which to meet urgent immediate requirements.

War changes the situation, because war brought money to the country. Foreign buying started the wheels of industry here, and with the cessation of that buying with the close of the war the situation will be changed the other way unless in the meantime, the country prepares through the elimination of the Wilson administration and the readjustment of the tariff to the end that the United States may not be flooded with the cheap goods of Europe and our supplies of gold be reduced to the danger point.

Prices Continue to Mount.

At the moment there is a disproportion between the demand and the supply in the industrial business. All kinds of industries are now high, but there is no sign in the industrial world that the crest of the wave of expansion yet has been reached and no sign that supply will catch up with demand.

In the very anxiety of buyers to place

contracts is found adequate reason for the optimistic expectations of another year of prosperity and that variety of found reason also for caution both in business and speculative operations. Some men are more cautious than others and some men are not cautious at all.

The latter class is buying stocks recklessly and predicting that prices both for commodities and stocks must tend to rise. The former is preparing to take advantage of the high prices for stocks to readjust his investment holdings by selling those issues which have made their records wholly from war prosperity and reinvesting in gilt-edged securities.

The market offers opportunities for investment in securities which will stand through periods of depression without defaulting on their interest and at the moment one of the best buying movements ever known in this grade of investments is under way.

The foreign government issues put out in this market are in active demand and the new drift of loans from the government to the Allies is an important response from the public. There is no lack of capital for high grade securities and the common sense capitalist is placing his surplus funds in such investments rather than in the issues whose sole title to investment consideration is based upon abnormal commercial needs of foreigners in our markets.

LAST WEEK'S BOND MARKET.

High-Low-Clos. Net -1916-
S. est. est. Chi-High-Low

5 U.S. Govt comp. 100% 100% 100% 100%

3 U.S. Govt. 90% 90% 90% 90%

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